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AIR LIQUIDE CANADA INC.

*Employee Incentive Program Generates Savings
of \$1.2 Million*



Air Liquide Canada Inc. has adopted the unusual approach of involving all staff – not just drivers – in its fleet incentive program, with tremendous results. The benefits include improved fuel efficiency and productivity and reduced fleet operating and maintenance costs – even after bonuses are paid.

About the company

Air Liquide is a producer and marketer of industrial, medical, specialty gases and welding equipment. From its headquarters in Montréal, the company operates a network of 140 locations across Canada, with approximately 40 independent distributor locations and more than 2100 employees.

Air Liquide's 250 motorized vehicles log a combined total of nearly 30 million kilometres a year. Air Liquide operates about 400 tanker, tube, B train, and closed van trailers.

"Like a lot of organizations, we were under pressure to reduce costs and become more efficient," says Peter Roy, national manager of the Air Liquide fleet, in explaining the company's decision to launch a comprehensive fleet

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management incentive program. However, the company took its program a step further than most by including everyone involved in the product distribution process - not only drivers, but mechanics and administration staff as well.

A combination of corporate, team and individual bonuses

In establishing the incentive program, Air Liquide devised a scheme that includes corporate, team and individual bonuses for each of the three groups of employees.

"Our incentive program involves a combination of bonuses," says Mr. Roy. "We wanted to get our entire organization involved. Everyone has a role to play, not just the drivers. It's been immensely successful - we saved \$1.2 million last year alone. A target bonus of \$1,000 was set for each employee, but they can achieve bonuses as high as \$2,000 each per year."

At the corporate level, employees in all three groups are paid a bonus if the company achieves a specified level of growth in corporate earnings. This bonus ranges from \$100 to \$400 per employee, depending on the level of growth achieved. If earnings increase by less than nine percent, no bonus is paid.

Team bonuses may also be paid to employees in each group if the group achieves good results in a customer satisfaction survey, performs well in meeting the objectives of the company's safety plan, and controls distribution costs.

Costs down, productivity up

"Our trailer maintenance costs have declined by 50 percent over the past few years" says Mr. Roy. "There is a whole new level of communication between drivers and maintenance.

Everyone wants to have the equipment up and running. Overall, productivity is up 22 percent."

Mr. Roy also reports that the fleet's fuel economy has improved by more than 0.5 miles per gallon since the incentive program began – and the company expects to achieve a similar improvement over the next two years. At the same time, the fleet's accident rate has declined.

"The specific targets that need to be achieved for a bonus were set based on discussions with each of the three groups and on our past performance," notes Mr. Roy. "This encourages employee buy-in and ensures that realistic and attainable targets are set."

Individual employees may also be rewarded for good performance. For example:

- drivers may receive a bonus for safe (accident-free) driving, efficient delivery performance (determined by how full vehicles are when the driver sets on his/her route) and fuel economy (based on a fleet average).
- garage staff receive bonuses for reducing maintenance costs (based on cost-per-kilometre targets), passing annual maintenance audits (a full paper audit and physical CVSA Level 1 inspection), and reducing the cost of delivering cryogenics (low-temperature materials).
- administration staff are paid bonuses based on such criteria as trailer utilization, the efficiency of delivery routes, the avoidance of customer "runouts" (when a customer's manufacturing process is interrupted due to a lack of Air Liquide product or if an installation problem causes the supply to stop), and "vessel drop efficiency" (a measure of how effectively the product is delivered).

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The keys to success

Based on Air Liquide's experience, Mr. Roy quickly identifies several factors that contribute to a successful incentive program.

"Number one, you have to involve everyone in your organization," he says. "There needs to be constant communication. As well, company management has to be fully committed. Developing and implementing our incentive program was written into the managers' and supervisors' objectives for the year. It became one of the criteria for evaluating their performance."

Mr. Roy adds that the company must listen closely to employees' concerns about the incentive program and overall fleet operations, and be prepared to make changes when necessary.

"An incentive program needs to be constantly refined and adjusted over time as corporate experience with the program grows," says Mr. Roy. "Be flexible to change and set realistic objectives. There is a need to constantly fine-tune and adjust. Incentives work - just keep the rules simple and make sure everyone understands the program."



For more information on fleet energy-saving opportunities, please write to

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